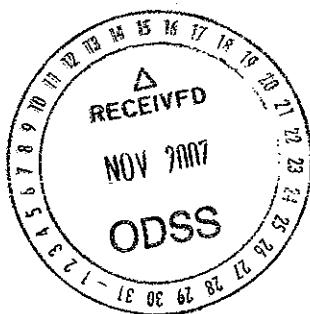


MENIFEE COUNTY  
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2007



***White & Associates, PSC***

*Certified Public Accountants & Consultants*

1407 Lexington Road

Richmond, KY 40475

Phone: (859) 624-3926 Fax: (859) 625-0227

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# MENIFEE COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2007

	<u>Page</u>
Independent Auditors' Report.....	1-2
Management's Discussion & Analysis.....	3-9
Statement of Net Assets.....	10
Statement of Activities.....	11
Balance Sheet-Governmental Funds.....	12
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund.....	17
Statement of Net Assets – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Statement of Fiduciary Net Assets - Fiduciary Funds .....	21
Notes to the Financial Statements.....	22-39

## Supplemental Schedules

Combining Balance Sheet – Nonmajor Governmental Funds.....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	41
Combining Statements of Fiduciary Net Assets – Fiduciary Funds.....	42
Combining Statement of Revenues, Expenditures and Changes in Amounts Due to Student Groups – Fiduciary Funds.....	43
Statement of Revenues, Expenditures and Changes in Amounts Due to Student Groups – Meniffee County High.....	44
Notes to the Schedule of Expenditures of Federal Awards.....	45
Schedule of Expenditures of Federal Awards.....	46-47
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	48-49
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	50-52
Schedule of Findings and Questioned Costs.....	53-54
Summary Schedule of Prior Audit Findings.....	55

# White & Associates, PSC

CERTIFIED PUBLIC ACCOUNTANTS

1407 Lexington Road

Richmond, Kentucky 40475

## **INDEPENDENT AUDITORS' REPORT**

State Committee for School District Audits  
Board of Education of the Menifee County School District  
Frenchburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the Menifee County School District. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Menifee County School District, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and Special Revenue Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the Menifee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Menifee County School District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Menifee County School District. The additional supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The additional supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 2, 2007

**MENIFEE COUNTY PUBLIC SCHOOL DISTRICT – FRENCHBURG,  
KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

As management of the Menifee County School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$490,593.
- The balance was slightly less than previous years. This decrease was due to largely to increased fuel costs and utility costs. We also had to use some general fund monies to complete the greenhouse project due to unexpected expenses. We paid all insurance premiums due for the upcoming school year to prepare for a decrease in SEEK money due to fewer students in 2006-07.
- The General Fund had \$8,063,817 in revenue, which primarily consisted of the SEEK program, property taxes, utility and motor vehicle taxes. We received Lease Proceeds in the amount of \$197,961 for the KISTA NMTC Grant. There was \$8,223,567 in general fund expenditures excluding \$22,000 in transfers to technology and community education.
- The board initiated no new major construction projects nor issued bonds in fiscal 2007.
- During fiscal 2007, the district felt a major impact from increased costs for fuel and utilities as well matching costs increasing for classified employees. These factors as well as federal programs being hit with insurance costs have made out district watchful for the next fiscal year. Our ending balance for 2007 was \$516,784. We have to cut positions and used retirements to alleviate overspending in 2007-08.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The total fund balance for fund 8 (governmental assets) was \$7,814,889. The district net assets exceeded the liabilities.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	<b>Net Assets</b>	
	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>Current Assets</b>	\$ 860,646	\$ 833,025
Noncurrent Assets	7,894,470	7,904,559
<b>Total Assets</b>	<u>8,755,116</u>	<u>8,614,351</u>
<b>Current Liabilities</b>	649,752	715,899
Noncurrent Liabilities	5,553,479	5,446,019
<b>Total Liabilities</b>	<u>6,203,231</u>	<u>6,161,918</u>
<b>Net Assets</b>		
Invested in capital assets (net of debt)	2,041,261	2,136,946
Restricted	92,527	64,692
Unrestricted	418,097	374,028
<b>Total Net Assets</b>	<u>\$ 2,551,885</u>	<u>\$ 2,575,666</u>



## CAPITAL ASSETS

At the end of fiscal 2007, the District had \$7.92 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of .2% of a million or 1.002% over last year.

### Capital Assets at Year-End (Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	0.05	0.05			0.05	0.05
Land Improvements	0.16	0.16			0.16	0.16
Buildings & Improvements	4.03	6.79			4.03	6.79
Technology Equipment	0.16	0.38	0.01	0.01	0.17	0.39
Vehicles	0.37	0.29			0.37	0.29
General Equipment	0.08	0.07	0.08	0.09	0.16	0.16
Construction in Progress	2.96	0.08			2.96	0.08
Totals	7.81	7.82	0.09	0.10	7.90	7.92

## DEBT

No bonds were issued in fiscal 2007.

No bond sales are anticipated in Fiscal 2008.

### Outstanding Debt at Year-End (in millions)

	Government Activities	
	<u>2006</u>	<u>2007</u>
General Obligation Bonds	\$ 5.03	\$ 4.78
Capital Lease	0.82	0.99
Total Obligations	\$ <u>5.85</u>	\$ <u>5.77</u>

## Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2007 was \$10,183,368.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,566,595 more than budget.

- General fund budget expenditures to actual varied slightly in line item to line item with the ending actual expenditures being \$1,469,979 more than was budgeted. This resulted in an excess of revenues over expenditures.
- The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2007.

	Fund 1	Fund 2	Other Governmental
<b>Revenue</b>			
Local Revenue Sources	\$826,231	\$310	\$88,506
State Revenue Sources	7,174,962	528,712	465,272
Federal Revenue Sources	56,511	928,638	
Other	6,112	108,112	
<b>Totals</b>	<b>8,063,817</b>	<b>1,565,773</b>	<b>553,778</b>
<b>Expenditures</b>			
Instruction	5,078,840	992,989	
Student Support Services	599,841	243,080	
Instruction Staff Support Services	297,652	116,080	
District Admin Support	298,473		
School Admin Support	472,351		
Business Support Services	147,807		
Plant Operation & Management	669,838		113,564
Student Transportation	537,956	59,701	
Food Service Operations	3,409		
Community Services	973	173,747	
Site Improvement		2,175	
Debt Service	116,427		463,205
<b>Totals</b>	<b>8,223,567</b>	<b>1,587,772</b>	<b>576,769</b>
<b>Revenue Over (Under) Expenses</b>	<b>\$(159,750)</b>	<b>\$(21,999)</b>	<b>\$(22,991)</b>

**General Fund Revenue/Expenditures.**

The majority of revenue was derived from state funding (89), federal funding (.007%) and local funding making up 11% of the total revenue.

The greater amount of revenue is spent on instruction expenditures. This makes up 60% of the budget. The instruction function includes the SBDM expenditures for staff and supplies. The student support services make up 9% which includes attendance services, guidance counseling, health services, psychological testing, and speech and hearing services. The instructional staff support makes up 4% which includes staff support personnel and librarians. The district administration support makes up 4% which includes workers comp, sick leave pay for retirees, contingency, property insurance, tax collection fees, and superintendent's office expenses. The school administration support makes 5% which includes principals, high school/middle school guidance and secretary's expenses. The business support services makes up 1% which includes the finance office and other central office expenditures. The plant operation and management makes up 9%. The student transportation makes up 7%. Other activities have less than 1% impact.

#### **Fund 2 Revenue/Expenditures**

The majority of revenue was derived from federal sources (60%) with the state revenue making up 34% and the remaining 6% coming from local sources and earnings on investments.

#### **Fund 310 and Fund 320 Revenue/Expenditures**

Fund 310 is the capital outlay fund and fund 320 in the building fund (FSPK). State funding makes up the Capital Outlay and the building fund is made up of state and local revenue. During the FY07Capital Outlay was used to pay some maintenance repair costs as well as property insurance. The Building Fund was used to make bond payments on existing debt.

#### **Fund 350 Revenue/Expenditures**

The technology fund is now in special revenue (Fund 2) During FY 20076 the district was in 1627 phase.

#### **Fund 360 Revenue/Expenditures**

The Menifee County School District had no construction projects during 2007.

#### **Fund 51 Revenue/Expenditures**

This is the food service fund. The revenue is received from local, state and federal monies. The largest being federal which makes up 80% of the budget.

### **BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. . This board has tried to be conservative with expenditures due to higher fuel and utility costs anticipated as well as federal programs paying the state portion of employee health insurance. This

district had a decrease in enrollment in FY 2007 which will also effect the district's funding.

Questions regarding this report should be directed to the finance officer, Lisa Ratliff at (606) 768-8015 or by mail at Menifee County Board of Education, P.O. Box 110, Frenchburg, KY 40322.

Menifee County School District  
Statement of Net Assets  
June 30, 2007

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 139,656	\$ 25,312	\$ 164,968
Investments	200,000		200,000
Receivables (net)	459,805		459,805
Inventories for consumption		8,251	8,251
Total current assets	799,461	33,563	833,025
Noncurrent assets			
Capital assets:			
Land, improvements, and construction in progress	288,718		288,718
Other capital assets, net of depreciation	7,526,171	89,670	7,615,841
Total noncurrent assets	7,814,889	89,670	7,904,559
Total assets	8,614,351	123,233	8,737,584
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	26,166	5,137	31,303
Accrued interest payable	89,793		89,793
Deferred Revenue	159,266		159,266
Current portion of accumulated sick leave	40,805		40,805
Current portion of bond obligations	260,000		260,000
Current portion of capital lease obligations	134,733		134,733
Total current liabilities	710,762	5,137	715,899
Noncurrent liabilities			
Long-term liabilities:			
Noncurrent portion of accumulated sick leave	73,139		73,139
Noncurrent portion of bond obligations	4,515,000		4,515,000
Noncurrent portion of capital lease obligations	857,880		857,880
Total noncurrent liabilities	5,446,019	-	5,446,019
Total liabilities	6,156,781	5,137	6,161,918
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,047,276	89,670	2,136,946
Restricted for:			
Restricted for capital projects	56,276		56,276
Restricted for other purposes	164	8,251	8,416
Unrestricted (deficit)	353,853	20,175	374,028
Total net assets	2,457,570	118,096	2,575,666
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,614,351</b>	<b>\$ 123,233</b>	<b>\$ 8,737,584</b>

See the accompanying notes to the financial statements.

Menifee County School District  
Statement of Activities  
Year Ended June 30, 2007

Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business- type Activities
Governmental activities:						
Instruction	\$ 5,816,700	\$	2,310,204	\$	\$ (3,506,496)	\$ (3,506,496)
Support Services						
Student	842,921		406,596		(436,325)	(436,325)
Instructional Staff	413,732		203,298		(210,434)	(210,434)
District Administration	298,473		73,927		(224,546)	(224,546)
School Administration	472,351		110,890		(361,461)	(361,461)
Business	147,807		36,963		(110,844)	(110,844)
Food Service Operations	3,409				(3,409)	(3,409)
Plant Operation & Maintenance	772,714	4,375	147,853		(620,486)	(620,486)
Student Transportation	597,657		203,298		(394,359)	(394,359)
Community Services Operations	174,720		203,298		28,578	28,578
Depreciation	307,479				(307,479)	(307,479)
Interest on long-term debt	291,973				(291,973)	(291,973)
Total governmental activities	10,139,936	4,375	3,696,326	-	(6,439,235)	(6,439,235)
Business-type activities:						
Food service operations	676,168	173,678	461,432		(41,058)	(41,058)
Depreciation	15,134				(15,134)	(15,134)
Total business-type activities	691,302	173,678	461,432	-	(56,192)	(56,192)
Total primary government	\$ 10,831,238	\$ 178,053	\$ 4,157,759	\$ -	(6,439,235)	(6,495,427)
General revenues:						
Taxes:						
	Property taxes				515,403	515,403
	Motor vehicle taxes				141,771	141,771
	Utility taxes				240,347	240,347
	State and formula grants				5,565,882	5,565,882
	Unrestricted investment earnings				17,527	18,562
	Gain on the retirement of assets				25,526	25,526
	Sale of equipment				9,980	9,980
	Miscellaneous				1,737	1,737
Transfers						
	Total general revenues, special items, and transfers				6,518,173	6,519,208
	Change in net assets				78,938	23,781
	Fund Balance - beginning				2,378,632	2,551,885
	Net assets - ending				\$ 2,457,570	\$ 2,575,666

See the accompanying notes to the financial statements.

Menifee County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 166,871	\$ (83,656)	\$ 56,441	\$ 139,656
Investments	200,000			200,000
Receivables, net				
Taxes-current	8,928			8,928
Taxes-delinquent	3,176			3,176
Accounts	2,514	51,252		53,766
Intergovernmental-state	197,961	47,148		245,109
Intergovernmental-federal	4,305	144,522		148,827
Total assets	<u>583,755</u>	<u>159,266</u>	<u>56,441</u>	<u>799,461</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	26,166			26,166
Current portion of accumulated sick leave	40,805			40,805
Deferred revenue		159,266		159,266
Total liabilities	<u>66,971</u>	<u>159,266</u>	<u>-</u>	<u>226,236</u>
Fund balances:				
Unreserved	516,784			516,784
Unreserved, reported in nonmajor:			17,267	17,267
Capital Projects				
Reserved, reported in nonmajor:				
Debt service			164	164
Capital projects funds			39,009	39,009
Total fund balances	<u>516,784</u>	<u>-</u>	<u>56,441</u>	<u>573,225</u>
Total liabilities and fund balances	<u>\$ 583,755</u>	<u>\$ 159,266</u>	<u>\$ 56,441</u>	<u>\$ 799,461</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets**  
June 30, 2007

Total fund balance per fund financial statements	\$ 573,225
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	7,814,889
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	
Accrued interest payable	(89,793)
Bonds payable	(4,775,000)
Capital lease payable	(992,613)
Noncurrent sick leave payable	<u>(73,139)</u>
Net assets of governmental activities	\$ <u>2,457,570</u>

See the accompanying notes to the financial statements.



Menifee County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
From Local Sources				
Taxes	\$	\$	\$	\$
Property	426,897		88,506	515,403
Motor vehicle	141,771			141,771
Utilities	240,347			240,347
Earnings on investments	17,216	310	0	17,527
Other local revenue	6,112	108,112		114,225
Intergovernmental - state	7,174,962	528,712	465,272	8,168,947
Intergovernmental - indirect federal	56,511	928,638		985,149
Total revenues	<u>8,063,817</u>	<u>1,565,773</u>	<u>553,778</u>	<u>10,183,368</u>
<b>EXPENDITURES</b>				
Instruction	5,078,840	992,989		6,071,829
Support Services				
Student	599,841	243,080		842,921
Instructional Staff	297,652	116,080		413,732
District Administration	298,473			298,473
School Administration	472,351			472,351
Business	147,807			147,807
Food Service Operations	3,409			3,409
Plant Operation & Maintenance	669,838		113,564	783,402
Student Transportation	537,956	59,701		597,657
Community Services Operations	973	173,747		174,720
Facilities Acquisition and Construction				
Site Improvement		2,175		2,175
Debt Service	116,427		463,205	579,632
Total expenditures	<u>8,223,567</u>	<u>1,587,773</u>	<u>576,769</u>	<u>10,388,109</u>
Excess (deficiency) of revenues over expenditures	<u>(159,750)</u>	<u>(22,000)</u>	<u>(22,991)</u>	<u>(204,741)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment	9,980			9,980
Capital lease proceeds	197,961			197,961
Operating transfers in		22,000		22,000
Operating transfers out	(22,000)			(22,000)
Transfers In/(Out) for Debt Service				-
Total other financing sources and (uses)	<u>185,941</u>	<u>22,000</u>	<u>-</u>	<u>207,941</u>
<b>SPECIAL ITEM</b>				
Net change in fund balances	<u>26,191</u>	<u>0</u>	<u>(22,991)</u>	<u>3,200</u>
Fund balances-beginning	<u>490,593</u>	<u>-</u>	<u>79,432</u>	<u>570,025</u>
Fund balances-ending	<u>\$ 516,784</u>	<u>\$ 0</u>	<u>\$ 56,441</u>	<u>\$ 573,225</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities**  
For the year ended June 30, 2007

Net change in total fund balances per fund financial statements	\$ 3,200
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	4,099
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	85,596
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest payable	4,102
Noncurrent sick leave payable	<u>(18,059)</u>
Change in net assets of governmental activities	<u>\$ 78,938</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
From Local Sources				
Taxes				
Property	\$ 435,252	\$ 458,248	\$ 426,897	\$ (31,351)
Motor vehicle	115,800	133,383	141,771	8,388
Utilities	240,000	240,000	240,347	347
Earnings on investments	10,000	10,000	17,216	7,216
Other local revenue	3,500	3,500	6,112	2,612
Intergovernmental - state	5,725,873	5,632,091	7,174,962	1,542,871
Intergovernmental - indirect federal	20,000	20,000	56,511	36,511
Total revenues	6,550,425	6,497,222	8,063,817	1,566,595
<b>EXPENDITURES</b>				
Instruction	3,897,303	3,824,830	5,078,840	(1,254,010)
Support Services				
Student	632,369	610,151	599,841	10,310
Instructional Staff	102,414	102,218	297,652	(195,434)
District Administration	278,658	292,476	298,473	(5,997)
School Administration	430,900	435,148	472,351	(37,203)
Business	145,764	112,186	147,807	(35,621)
Food Service Operations	7,728	4,551	3,409	1,142
Plant Operation & Maintenance	719,611	729,822	669,838	59,984
Student Transportation	531,041	529,169	537,956	(8,787)
Community Services Operations	941	537	973	(436)
Debt Service	112,400	112,500	116,427	(3,927)
Total expenditures	6,859,129	6,753,588	8,223,567	(1,469,979)
Excess (deficiency) of revenues over expenditures	(308,704)	(256,366)	(159,750)	96,616
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment			9,980	9,980
Capital lease proceeds			197,961	197,961
Operating transfers out	(19,654)	(22,000)	(22,000)	-
Total other financing sources and (uses)	(19,654)	(22,000)	185,941	207,941
<b>SPECIAL ITEM</b>				
Net change in fund balances	(328,358)	(278,366)	26,191	304,557
Fund balances-beginning	540,000	498,000	490,593	(7,407)
Fund balances-ending	\$ 211,642	\$ 219,634	\$ 516,784	\$ 297,150

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Fund**  
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From Local Sources				
Earnings on investments	\$	\$ -	\$ 310	\$ 310
Other local revenue		109,734	108,112	(1,621)
Intergovernmental - state		555,675	528,712	(26,962)
Intergovernmental - indirect federal		930,312	928,638	(1,674)
Total revenues	<u>-</u>	<u>1,595,720</u>	<u>1,565,773</u>	<u>(29,947)</u>
<b>EXPENDITURES</b>				
Instruction		1,056,731	992,989	63,742
Support Services				
Student		244,086	243,080	1,006
Instructional Staff		105,341	116,080	(10,739)
Student Transportation		59,803	59,701	102
Community Services Operations		151,758	173,747	(21,989)
Facilities Acquisition and Construction				
Site Improvement			2,175	(2,175)
Total expenditures	<u>-</u>	<u>1,617,720</u>	<u>1,587,773</u>	<u>29,947</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>(0)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		22,000	22,000	-
Operating transfers out				-
Total other financing sources and (uses)	<u>-</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>0</u>	<u>0</u>	<u>(0)</u>
Fund balances-beginning		-	-	-
Prior Period Adjustment				-
Fund balances-ending	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2007

	<u>Enterprise Funds</u>
	<u>School Food Services</u>
<b>ASSETS</b>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 25,312
Receivables (net)	
Intergovernmental - federal	
Inventories	8,251
Total current assets	<u>33,563</u>
<u>Noncurrent assets</u>	
Capital assets:	
Other capital assets, net of depreciation	89,670
Total noncurrent assets	<u>89,670</u>
Total assets	<u>123,233</u>
<b>LIABILITIES</b>	
<u>Current liabilities</u>	
Accounts payable and accrued expenses	5,137
Total current liabilities	<u>5,137</u>
<u>Noncurrent liabilities</u>	
Long-term liabilities:	
Due more than one year	
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>5,137</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	89,670
Restricted for:	
Restricted for School Activities	
Restricted for Food Service	8,251
Unrestricted (deficit)	20,175
Total net assets	<u>118,096</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 123,233</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
Year Ended June 30, 2007

	<u>Enterprise Funds</u>
	<b>School Food Services</b>
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$ 173,553
Other revenue from local sources	124
Total operating revenues	<u>173,678</u>
<b>OPERATING EXPENSES</b>	
Depreciation	15,134
Food service operations	697,293
Total operating expenses	<u>712,427</u>
Operating income (loss)	<u>(538,749)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal grants	376,950
State grants	58,633
Donated commodities	25,849
Purchase of capital assets	21,125
Earnings from investments	1,035
Total nonoperating revenues	<u>483,592</u>
Income (loss) before transfers	<u>(55,157)</u>
<b>TRANSFERS OUT</b>	-
Change in net assets	<u>(55,157)</u>
Retained Earnings, beginning	173,253
Total net assets-ending	<u>\$ 118,096</u>

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2007

**Enterprise Funds**

**School  
Food  
Services**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 184,071
Payments to suppliers	(398,477)
Payments to employees	(293,019)
Net cash provided (used) by operating activities	<u>(507,426)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Intergovernmental revenue	435,583
Donated commodities	25,849
Net cash provided (used) by capital and related financing activities	<u>461,432</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest	1,035
Net cash provided (used) by investing activities	<u>1,035</u>
Net increase (decrease) in cash and cash equivalents	<u>(44,959)</u>

Balances-beginning of the year	70,270
Balances-end of the year	<u><u>25,312</u></u>

**Reconciliation of operating income (loss) to net cash used  
by operating activities:**

Operating income (loss)	(538,749)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation	15,134
Changes in assets and liabilities:	
Accrued liabilities	952
Accounts receivable	10,393
Inventories	4,844
Net cash used by operating activities	<u><u>\$ (507,426)</u></u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$25,849 of food commodities from the U.S. Department of Agriculture.

See the accompanying notes to the financial statements.

Menifee County School District  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
June 30, 2007

	<b>FIDUCIARY FUND TOTAL</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 104,332
Accounts receivable	6,293
TOTAL ASSETS	<u>110,625</u>
<b>LIABILITIES</b>	
Accounts payable	7,076
Due to student groups	<u>103,549</u>
TOTAL LIABILITIES	<u>110,625</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ -</u>

See the accompanying notes to the financial statements.



MENIFEE COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Meniffee County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Meniffee County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Meniffee County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Meniffee County Board of Education Finance Corporation

The Board authorized establishment of the Meniffee County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Meniffee County Board of Education.

## Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

## I. Governmental Fund Types

### (A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

### (B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

### (C) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

#### 1. SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

#### 2. Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund.

#### 3. Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

#### (D) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

### II. Proprietary Funds (Enterprise Funds)

#### (A) Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Types

#### Agency Funds

The Agency Fund account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds."

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which

the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement the revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2007, to finance the General Fund operations were \$.357 per \$100 valuation of real property, \$.357 per \$100 valuation for business personal property and \$.474 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the government funds. These assets are reported in the government activities column of the government-wide financial statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements

of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified employee will receive from the district an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

#### Budgetary Process

Budgetary basis of accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

#### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Inventories

On government-wide financial statements inventories are stated at cost and are expended when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

### Accrued Liabilities and Long-Term Obligations

All payables accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

### Net Assets



Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

#### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

#### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **NOTE B – ESTIMATES**

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### **NOTE C – CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents are interest bearing accounts that are deposited with the local bank. The deposits are insured with FDIC and assets secured by the local bank.

Investments are certificates of deposits that are secured by FDIC and assets pledged by the local district.

<u>Traditional Bank</u>	<u>Bank Balance</u>		
	<u>Demand</u>	<u>Time</u>	<u>Totals</u>
FDIC	\$ 100,000	\$ 100,000	\$ 200,000
Securities pledged to district	628,250	100,000	728,250
Bank balance	<u>\$ 728,250</u>	<u>200,000</u>	<u>928,250</u>

	<u>Book Balance</u>	
	<u>Cash equivalents</u>	<u>Investments</u>
Governmental Activities	139,656	200,000
Business-type Activities	25,312	-
Agency funds	104,332	-
Total carrying amount	<u>\$ 269,300</u>	<u>\$ 200,000</u>

#### **NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

See Schedule Next Page

<u>Governmental Activities</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
Land	\$ 50,600	\$ -	\$ -	\$ 50,600
Land improvements	261,363	10,689	-	272,052
Buildings	5,682,128	2,887,565	-	8,569,693
Technology equipment	931,389	265,928	37,355	1,159,962
Vehicles	1,145,458	-	166,527	978,931
General equipment	168,167	7,260	4,324	171,103
Construction in progress	<u>2,964,567</u>	<u>-</u>	<u>2,887,565</u>	<u>77,001</u>
Total at historical cost	\$ <u>11,203,671</u>	\$ <u>3,171,442</u>	\$ <u>3,095,771</u>	\$ <u>11,279,342</u>
Less: Accumulated depreciation				
Land improvements	\$ 99,319	11,616	-	110,935
Buildings	1,656,909	124,005	-	1,780,914
Technology equipment	767,015	80,184	66,930	780,269
Vehicles	777,093	81,057	166,527	691,623
General equipment	<u>92,545</u>	<u>10,617</u>	<u>2,450</u>	<u>100,711</u>
Total accumulated depreciation	\$ <u>3,392,881</u>	\$ <u>307,479</u>	\$ <u>235,907</u>	\$ <u>3,464,452</u>
Governmental Activities				
Capital Assets-net	\$ <u>7,810,791</u>	\$ <u>2,863,963</u>	\$ <u>2,859,864</u>	\$ <u>7,814,889</u>
<u>Business-Type Activities</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
Technology equipment	8,463	-	3,935	4,528
General equipment	<u>188,329</u>	<u>21,125</u>	<u>-</u>	<u>209,453</u>
Total at historical cost	\$ <u>196,792</u>	\$ <u>21,125</u>	\$ <u>3,935</u>	\$ <u>213,981</u>
Less: Accumulated depreciation				
Technology equipment	6,199	906	3,935	3,170
General equipment	<u>106,913</u>	<u>14,229</u>	<u>-</u>	<u>121,142</u>
Total accumulated depreciation	\$ <u>113,113</u>	\$ <u>15,134</u>	\$ <u>3,935</u>	\$ <u>124,312</u>
Business-Type Activities				
Capital Assets-net	\$ <u>83,679</u>	\$ <u>5,991</u>	\$ <u>-</u>	\$ <u>89,670</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

#### **NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District's future obligations to make payments

relating to the bonds issued by the Fiscal Court of Menifee County and the Menifee County School District Finance Corporation aggregating \$4,775,000.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2007 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>2006</u>		<u>2007</u>	
			<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Issue of 1993	\$ 100,000	5-6.2%	\$ 35,000		\$ 5,000	30,000
Issue of 1996	245,000	4.75-5.8%	160,000		10,000	150,000
Issue of 1998	1,645,000	3.5-4.2%	1,215,000		115,000	1,100,000
Issue of 1998A	1,205,000	4.1-4.95%	885,000		50,000	835,000
Issue of 1999	950,000	3.9-4.875%	730,000		40,000	690,000
Issue of 2003	\$ 2,110,000	2-4%	2,005,000		35,000	1,970,000
Totals			<u>\$ 5,030,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 4,775,000</u>

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2007 for debt service, (principal and interest) are as follows:

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2008	\$ 190,370	\$ 150,900	\$ 69,630	\$ 47,451	\$ 260,000
2009	201,387	143,398	73,613	44,634	275,000
2010	207,227	135,297	77,773	41,333	285,000
2011	217,642	126,776	82,358	37,929	300,000
2012	226,405	117,704	83,595	34,221	310,000
2013	236,633	108,323	88,367	30,449	325,000
2014	246,268	98,268	83,732	26,405	330,000
2015	259,723	87,702	85,277	22,506	345,000
2016	268,278	76,640	91,722	18,497	360,000
2017	283,232	65,632	86,768	14,290	370,000
2018	294,328	53,871	80,672	10,649	375,000
2019	229,858	41,493	70,142	6,987	300,000
2020	196,557	32,630	23,443	3,850	220,000
2021	205,689	25,357	24,311	2,983	230,000
2022	214,766	17,541	25,234	2,059	240,000
2023	223,756	8,950	26,244	1,050	250,000
	<u>\$ 3,702,119</u>	<u>\$ 1,290,482</u>	<u>\$ 1,072,881</u>	<u>\$ 345,292</u>	<u>\$ 4,775,000</u>

#### **NOTE F – CAPITAL LEASE PAYABLE**

The following is an analysis of the leased property under capital lease:

*(See table on next page)*

	2006			2007	
<u>Kista Issue</u>	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
1998	\$ 284,775		\$ 17,100	\$ 267,675	
2003	82,388		11,364	71,024	
2000 2nd	89,131		17,527	71,604	
2000	88,899		22,675	66,224	
2005	154,049		18,670	135,379	
2006	123,967		12,474	111,493	
2006 2nd		65,754		65,754	
*NMTC		226,067	22,607	203,460	
Totals	\$ 823,209	\$ 291,821	\$ 122,417	\$ 992,613	

\*New Market Tax Credit-Kista program to upgrade technology devices.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Year</u>	<u>Principal</u>	<u>Coal Severance</u>	<u>Interest</u>	<u>Total Payments</u>
2008	\$ 134,733	\$ 19,906	\$ 34,058	\$ 188,696
2009	142,265	9,953	28,729	180,946
2010	151,190	-	24,364	175,555
2011	131,570	-	19,930	151,500
2012	94,334	-	16,455	110,789
2013	73,644	-	13,573	87,217
2014	60,210	-	10,579	70,789
2015	62,554	-	8,084	70,638
2016	44,727	-	5,426	50,153
2017	37,178	-	3,363	40,541
2018	30,350	-	1,548	31,898
	\$ 962,755	\$ 29,859	\$ 166,109	\$ 1,158,722

Total minimum lease payments	1,158,722
Less: Amount representing interest	(166,109)
Present Value of Net Minimum Lease Payments	\$ 992,613

## **NOTE G – RETIREMENT PLANS**

### Kentucky Teachers' Retirement System

Plan Description – The Menifee County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The Menifee County Schools' total payroll for the year was \$6,357,691. The payroll for employees covered under KTRS was \$4,821,294. For the year ended June 30, 2007, the Commonwealth contributed \$563,196 KTRS for the benefit of our participating employees.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$545,891, \$539,810, and \$526,916 respectively.

### County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate is 13.19%. The District contributed \$195,759 of the employee's compensation during the fiscal year ended June 30, 2007.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$269,967, \$236,455, and \$185,537 respectively.

#### **NOTE H – COMMITMENTS**

The Menifee County School District currently has no significant commitments.

#### **NOTE I - CONTINGENCIES**

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

#### **NOTE J - LITIGATION**

The Menifee County School District currently has no pending litigation that it believes will result in an obligation to District's assets.

#### **NOTE K – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of



commercial insurance. The District has purchased certain policies which is retrospectively rated which includes Workers' Compensation insurance.

#### **NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all School Districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contribution to the Workers' Compensation Fund is based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months (24) after expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reasons by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

#### **NOTE M – DEFICIT OPERATING BALANCES**

The following fund had an operating deficit at the end of the fiscal year causing a reduction in the fund balance.

<u>Fund</u>		<u>Reduction in Fund Balance</u>
Capital Outlay	\$	(18,889)
FSPK		(4,102)
School Food Service	\$	(55,157)

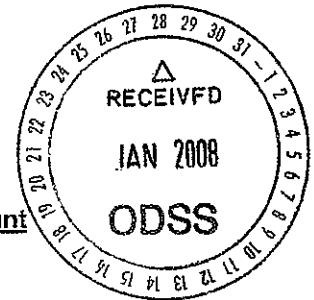
#### **NOTE N - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

#### NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

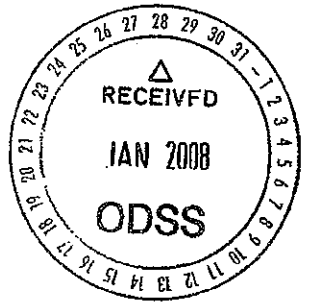
<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching KETS	\$ 22,000
FSPK	Debt Service Fund	Debt Payment	332,919
Capital Outlay	Debt Service Fund	Debt Payment	\$ 10,534



#### NOTE P – ON-BEHALF PAYMENTS

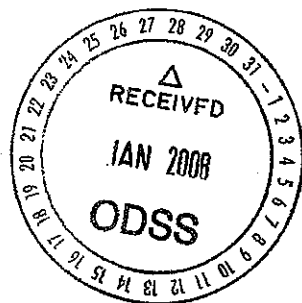
The financial statements include payments made by the State of Kentucky on -- behalf of the Menifee County School District for teacher's retirement, health insurance, life insurance, administrative fees, and state operated vocational schools where applicable. The amounts were recorded, but not budgeted, within the General and School Food Services Funds. The amounts recorded for both revenues and expenditures (expenses) are \$1,551,548 for the General Fund and \$50,865 for the School Food Service Fund.

In addition, the District received an offer of assistance to upgrade Technology throughout the District. This instructional device upgrade (IDU) was offered through the Kentucky Schools Facilities Construction Commission (KSFCC) in the amount of \$34,279. The school district received through the Kentucky Inter-local School Transportation Association (KISTA) and through state collected coal severance money \$9,953 for "whiteboard" technology a New Market Tax Credit (NMTC).



Menifee County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
 June 30, 2007

Other Governmental Funds				
	Capital Outlay	FSPK Fund	Construction Fund	Debt Service Fund
<b>Assets and Resources</b>				
Cash and Cash Equivalents	\$ 19,497	\$ 36,779	\$ -	\$ 164
<b>Total Assets and Resources</b>	<u>19,497</u>	<u>36,779</u>	<u>-</u>	<u>164</u>
<b>Liabilities and Equity and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable				
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Equity and Fund Balances</b>				
Fund Balances				
Unreserved	17,267	-		
Restricted for Debt Service				164
Restricted for Capital Projects	2,230	36,779		
<b>Total Equity and Fund Balances</b>	<u>19,497</u>	<u>36,779</u>	<u>-</u>	<u>164</u>
<b>Total Liabilities and Equity and Fund Balances</b>	<u>\$ 19,497</u>	<u>\$ 36,779</u>	<u>\$ -</u>	<u>\$ 164</u>
				<u>\$ 56,441</u>



Menifee County School District  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds**  
 Year ended June 30, 2007

	Other Governmental Funds					
	Capital Outlay	FSPK Fund	Construction	Debt Service Fund	Totals (Memorandum Only)	
Revenues						
From Local Sources						
Taxes		88,506			88,506	
Property				0	0	
Earnings on Investments	103,710	241,810		119,752	465,272	
Intergovernmental - State						
Total Revenues	103,710	330,316	-	119,752	553,778	
Expenditures						
Current						
Support Services	113,564	-		463,205	113,564	
Plant Operation and Maintenance					463,205	
Debt Service						
Total Expenditures	113,564	-	-	463,205	576,769	
Excess (Deficit) of Revenues Over Expenditures	(9,854)	330,316	-	(343,453)	(22,991)	
Other Financing Sources (Uses)						
Operating transfers in	(10,534)	(332,919)		343,453	-	
Transfers In/(Out) for Debt Service	(10,534)	(332,919)	-	343,453	-	
Total Other Financing Sources (Uses)						
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(20,388)	(2,603)	-	0	(22,991)	
Fund Balance beginning	39,885	39,382	-	164	79,432	
Fund Balance ending	19,497	36,779	-	164	56,441	

Menifee County School District  
**Combining Statement of Fiduciary Net Assets - Fiduciary Funds**  
As of June 30, 2007

	<u>MENIFEE COUNTY HIGH SCHOOL</u>	<u>MENIFEE COUNTY MIDDLE SCHOOL</u>	<u>MENIFEE COUNTY ELEMENTARY</u>	<u>BOTTS ELEMENTARY</u>	<u>TOTAL FIDUCIARY FUND</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 51,144	\$ 14,920	\$ 14,508	\$ 23,760	\$ 104,332
Accounts receivable	5,021	870	383	19	6,293
<b>TOTAL ASSETS</b>	<u>56,165</u>	<u>15,790</u>	<u>14,891</u>	<u>23,779</u>	<u>110,625</u>
<b>LIABILITIES</b>					
Accounts payable	5,696	1,013	367	-	7,076
Due to student groups	50,468	14,777	14,524	23,779	103,549
<b>TOTAL LIABILITIES</b>	<u>56,165</u>	<u>15,790</u>	<u>14,891</u>	<u>23,779</u>	<u>110,625</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Menifee County School District

Combining Statement of Revenues, Expenditures and Changes in Amounts Due to Student Groups  
- Fiduciary Funds

As of June 30, 2007

	MENIFEE COUNTY HIGH SCHOOL	MENIFEE COUNTY MIDDLE SCHOOL	MENIFEE COUNTY ELEMENTARY	BOTTS ELEMENTARY	TOTAL FIDUCIARY FUND
<b>REVENUES</b>					
Student/Trust revenues	\$ 162,444	\$ 33,889	\$ 7,804	\$ 34,493	238,630
<b>EXPENDITURES</b>					
Student/Trust activities	146,229	46,380	10,671	30,557	233,837
<b>Excess (Deficit) of Revenues Over Expenditures</b>	16,216	(12,491)	(2,867)	3,935	4,793
Due to student groups July 1, 2006	34,253	27,268	17,391	19,844	98,756
Due to student groups June 30, 2007	\$ 50,468	\$ 14,777	\$ 14,524	\$ 23,779	103,549

Menifee County School District  
**Statement of Revenues, Expenditures and Changes in Amounts Due to Student Groups - Menifee County High**  
As of June 30, 2007

	DUE TO STUDENT GROUPS July 1, 2006	REVENUES	EXPENDITURES	TRANSFERS	DUE TO STUDENT GROUPS JUNE 30, 2007
GENERAL FUND	\$ 3,698	\$ 1,305	\$ 6,440	\$ 1,849	\$ 413
VENDING	145	3,980	1,433	(2,070)	621
FACULTY VENDING	381	806	839	-	348
ATTENDANCE	-	1,450	1,825	430	55
NOW-INTEREST	3,523	143	99	-	3,568
TEXTBOOK	2,198	1,786	1,977	-	2,007
PARKING ACCOUNT	616	435	229	-	822
ATHLETICS	1,328	2,696	4,024	-	0
BASEBALL BOYS	-	4,826	5,816	990	-
BASKETBALL BOYS	-	20,133	12,233	(2,400)	5,501
BASKETBALL GIRLS	-	10,272	7,356	(45)	2,871
CROSS COUNTRY	-	75	164	89	-
SOFTBALL GIRLS	-	2,988	3,626	638	-
TRACK	-	667	822	214	59
GOLF	-	567	824	257	-
SOCCER BOYS	-	1,259	1,926	667	-
SOCCER GIRLS	-	3,892	3,594	(61)	237
VARSITY CHEERLEADERS	519	10,654	8,714	-	2,460
DANCE TEAM	73	-	-	-	73
FCCLA	407	380	425	-	362
FFA	4,285	21,350	21,241	(348)	4,046
YEARBOOK	1,988	12,338	7,593	-	6,733
JUNIOR CLASS	5,116	23,089	14,411	(4,462)	9,332
SENIOR CLASS	204	21,948	27,284	5,179	46
ASTRONOMY CLUB	11	-	-	-	11
BETA CLUB	173	438	602	21	29
COMPUTER CLASS	0	-	-	-	0
F.B.L.A.	11	200	-	-	211
JOSTEN'S RENAISSANCE	655	-	201	(100)	354
PHOTOGRAPHY CLUB	489	426	-	-	915
S.A.D.D.	140	315	107	-	347
BAND FUND	179	1,137	910	-	406
BUSINESS CLASS	-	-	-	-	-
SPECIAL EDUCATION	26	32	20	-	38
LIBRARY	573	1,043	283	105	1,439
LOST LIBRARY BOOKS	751	580	-	-	1,331
ACADEMIC-KY HIGHLANDS	6	750	716	-	40
JOSTEN'S CAT SCRATCH	-	-	-	-	-
RECYCLING	84	304	263	-	125
F.C.A.	3	45	-	-	48
VO.AG. SHOP	502	-	476	-	25
HORTICULTURE GRANT	2,967	230	2,986	-	211
FFA DUES	303	981	1,125	-	159
NEKSPA	1,839	-	1,839	-	-
FEA FUTURE EDUCATORS	101	1,236	1,052	-	285
SOPHOMORE CLASS	758	826	519	(758)	307
SPANISH CLASS	0	1,639	1,285	-	355
STUDENT COUNCIL	200	200	170	(150)	80
TECHNOLOGY FUND	-	5,025	782	(43)	4,200
SPANISH HONOR SOCIETY	-	-	-	-	-
TOTALS	\$ 34,253	\$ 162,444	\$ 146,229	\$ (0)	\$ 50,468

## Notes to Schedule of Expenditures of Federal Awards

### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Meniffee County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2007, the District had received food commodities totaling \$25,849.



MENIFEE COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Disbursement
U.S. Department of Agriculture				
Passed through State Department of Agriculture				
<b>Food Donation</b>	10.550			
Fiscal Year 07		N/A	N/A	\$ 25,849
Passed through State Department of Education				
<b>National School Lunch Program</b>	10.555			
Fiscal Year 07		57507.02.Z	N/A	209,738
Fiscal Year 06		57506.02.Z	N/A	53,377
<b>School Breakfast Program</b>	10.553			
Fiscal Year 07		57607.05.Z	N/A	94,144
Fiscal Year 06		57606.05.Z	N/A	27,459
<b>Summer Food Service Program for Children</b>	10.559			
Fiscal Year 06		57406.23.Z	N/A	9,421
<b>Summer Food Service Program for Children</b>	10.559			
Fiscal Year 06		56906.24.Z	N/A	972
Child Nutrition Cluster Subtotal				395,111
Total U.S. Department of Agriculture				420,960
U.S. Department of Education				
Passed through State Department of Education				
* <b>Title I Grants to Local Educational Agencies</b>	84.010			
Fiscal Year 07		35107.01.Z	469,988	320,956
Fiscal Year 06		35106.01.Z	480,497	125,393
				446,349
<b>Migrant Education-State Grant Program</b>	84.011			
Fiscal Year 06		35206.02.Z	40,500	4,651
				4,651
<b>State Grants For Innovative Programs</b>	84.298			
Fiscal Year 07		N/A	2,240	2,240
Fiscal Year 06		N/A	5,220	807
				3,047
<b>Special Education Grants to States</b>	84.027			
Fiscal Year 07		58107.02.Z	260,127	220,172
Fiscal Year 06		58106.02.Z	261,446	56,590
<b>Special Education-Preschool Grants</b>	84.173			
Fiscal Year 07		58707.02.Z	12,560	12,213
Special Education Cluster Subtotal				288,974
<b>Vocation Education-Basic Grants to States</b>	84.048			
Fiscal Year 07		46207.32.Z	28,338	28,338
<b>Vocation Education-Basic Grants to States-Carryforward</b>	84.048			
Fiscal Year 06A		46206.32.Z	774	774
				774
<b>NRT Reimbursement</b>	84.369			
Fiscal Year 07		N/A	506	506
<b>Improving Teacher Quality State Grants</b>	84.367			
Fiscal Year 07		71007.02.Z	101,292	98,611
Fiscal Year 06		71006.02.Z	102,310	14,140
				112,751
<b>Education Technology State Grants</b>	84.318			
Fiscal Year 07		N/A	4,711	4,711
Fiscal Year 06		N/A	9,935	1,220
				5,931
<b>Safe and Drug-Free Schools and Communities-State Grants</b>	84.186A			
Fiscal Year 07		59007.02.Z	8,306	3,320
Fiscal Year 06		59006.02.Z	11,209	784

MENIFEE COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Disbursement
				<u>4,104</u>
<b>Rural Education</b>	84.358			
Fiscal Year 07		35007.02.Z	33,842	2,639
Fiscal Year 06		35006.02.Z	34,940	<u>25,186</u>
				<u>27,825</u>
Total U.S. Department of Education				<u>923,249</u>
U.S. Department of Health and Human Services				
Passed through Bluegrass Health Services				
<b>Blocks Grants for Community Mental Health Services</b>	93.958			
Fiscal Year 2005		N/A	1700	687
Total U.S. Department of Health and Human Service				<u>687</u>
U.S. Corporation for National and Community Service				
<b>Learn and Serve America-School and Community Based Programs</b>	94.004			
Fiscal Year 07		74307.02.Z	3,400	1,136
Total U.S. Corporation for National and Community Service				<u>1,136</u>
U.S. Department of Commerce				
Passed through Center for Rural Development				
<b>Pride Environmental Education</b>	11.469			
Fiscal Year 07		N/A	4212	4,212
Total U.S. Department of Commerce				<u>4,212</u>
Grand Totals of All Federal Programs				<u>\$ 1,350,244</u>
* Major Programs				

White & Associates, PSC  
CERTIFIED PUBLIC ACCOUNTANTS  
1407 Lexington Road  
Richmond, Kentucky 40475

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

State Committee for School District Audits  
Menifee County School District  
Frenchburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District, as of and for the year ended June 30, 2007, which collectively comprise the Menifee County School District's basic financial statements and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menifee County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Menifee County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Menifee County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control

deficiency, or combination of control deficiencies, that adversely affects the Menifee County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Menifee County School District's financial statements that is more than inconsequential will not be prevented or detected by the Menifee County School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting described as 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Menifee County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiency described above, we consider 07-1 to be a material weakness.

#### Compliance

As part of obtaining reasonable assurance about whether the Menifee County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or state audit requirements.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the Members of the Board of Education, the Kentucky Department of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 2, 2007

White & Associates, PSC  
CERTIFIED PUBLIC ACCOUNTANTS  
1407 Lexington Road  
Richmond, Kentucky 40475

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

State Committee for School District Audits  
Menifee County School District  
Frenchburg , Kentucky

Compliance

We have audited the compliance of the Menifee County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Menifee County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion of the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Menifee County School District's compliance with those requirements.

In our opinion, the Meniffee County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of the Meniffee County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Meniffee County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Meniffee County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Meniffee County School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Meniffee County School District's response and, accordingly, we express no opinion on it.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the Members of the Board of Education, the Kentucky Department of Education, management and federal awarding agencies and pass-through

entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 2, 2007

MENIFEE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2007

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions, Reported at the financial statements level (GAGAS)?	Yes
Were there any significant deficiencies, Reported at the financial statements level (GAGAS)?	Yes
Were there any other reportable control weaknesses, Conditions reported at the financial statement level (GAGAS)? If so, was it material?	No
Was there any reported material noncompliance at the Financial statement level (GAGAS)?	No

FEDERAL AWARDS

Were there any material internal control weaknesses? Conditions reported for major federal programs?	No
Were there any significant deficiencies, Reported for major federal programs)?	No
Were there any other reportable conditions identified, Not considered to be material weaknesses reported for Major programs? Were any conditions material?	No
Type of Major Programs Compliance Opinion	Unqualified
Is there any audit findings disclosed that are required To be reported in accordance with Circular A-133, Section .510(a)?	No

Major Programs (list): Title I Grants to Local Educational Agencies  
 [CFDA 84.010]

Dollar Threshold: Type A/B Programs Type A: > \$300,000



Type B: > all others

Low Risk Auditee?

Yes

## SECTION II – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### **Finding 07-1**

Statement of the Condition: Fixed assets have not been maintained in the MUNIS financial accounting system. A fixed asset inventory has not been completed within the last two years. The district has not adopted Fixed Asset procedures.

Criteria for Condition: All fixed assets shall be accounted for and maintained per Governmental Accounting Standards in the module provided through the state maintained MUNIS financial accounting system. A fixed asset inventory must be completed at the minimum of every two years. The district must adopt fixed asset procedures for identifying and recorded capital assets.

Cause of the Condition: Fixed assets were not maintained in the MUNIS financial accounting system module for fixed assets. No inventory has been performed for fixed assets. No procedures have been adopted for identification and recording of fixed assets.

Effect of the Condition: Financial statements will reflect estimated depreciation; assets flagged for input in the accounting system are being kept manually.

Recommendation for Correction: The district shall have policies and procedures for the addition, movement, and disposal of all fixed assets. All items identified as fixed assets are to be assigned a commodity code/inventory tag during the accounts payables process. The MUNIS fixed asset module shall be maintained throughout the year to identify new and disposed assets. All identified fixed assets shall be depreciated annually and at a minimum all fixed assets shall be inventoried on a bi-annual schedule.

Management Response to the Recommendation: The district has assigned a new Fixed Asset Coordinator. We have accounted for most of the fixed assets in the district. However, we realize that it was incomplete. We will make all attempts to realign our fixed asset procedures to comply with these conditions.

MENIFEE COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2007

There were no findings from the prior year